

Message Text

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AMEMBASSY PARIS
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C O N F I D E N T I A L MOSCOW 4441

DEPT PASS USDOC/BEWT

E.O. 11652: GDS
TAGS: EEWT, ENRG, UR, FR, GB, GW, US
SUBJECT: FOREIGN TRADE AND DEVELOPMENT OF SOVIET ENERGY

1. BEGIN SUMMARY. TELEGRAM GIVES RESULTS OF RECENT MEETING OF FRG, FRENCH, UK, U.S. ECONOMIC COUNSELORS AND COVERS RISING FRENCH EXPORTS TO USSR, DECLINING SOVIET PURCHASE OF LARGE DIAMETER PIPE, SOVIET PROBLEMS WITH IRANIAN GAS PRICING, FRENCH INTEREST IN AUGMENTING OIL PURCHASES FROM USSR AT EXPENSE OF SAUDIS, SOVIET APPROACH TO BRITISH PETROLEUM CONCERNING BARENTS SEA EXPLORATION. USNATO FYI ONLY. END SUMMARY.

2. DURING AD HOC MARCH 31 MEETING OF UK AND FRENCH COMMERCIAL COUNSELORS, U.S. E/C COUNSELOR AND FRG EMBASSY ECONOMICS MINISTER, HOSTED BY LATTER, FRENCH COUNSELOR LA BIDE DISCUSSED RISING FRANCO-CONFIDENTIAL

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SOVIET TRADE. ACCORDING TO PARIS, FRENCH EXPORTS TO USSR IN JANUARY AND FEBRUARY 1977 ALONE AMOUNT TO 1.5 BILLION FRANCS (IMPORTS ABOUT 818 MILLION), A TREND WHICH IF CONTINUED WOULD REPRESENT ABOUT A 50 PERCENT INCREASE IN FRENCH EXPORTS ON AN ANNUAL BASIS. LA BIDE SAID THE FIGURES ARE SO GOOD THAT HE MISTRUSTS THEM. UK AND FRG, ON OTHER HAND, REPORTED UNSPECIFIED EXPORT DECLINES IN JANUARY, WITH EACH MENTIONING SOVIETS FOREGOING

SOME ANTICIPATED PURCHASE ON GROUNDS OF HARD CURRENCY SHORTAGE.

3. ONE SPECIFIC AREA WHERE FRENCH AS WELL AS GERMANS REPORTED SHARP CUTBACK IN SOVIET DEMAND WAS FOR LARGE DIAMETER PIPE.

GERMAN MINISTER STUELPNAGEL STATED THAT WHEREAS FRG SOLD 750,000 TONS OF PIPE IN 1976, IT HAS ORDERS ONLY FOR 300,000 THIS YEAR AND HAS BEEN TOLD THERE WILL BE NO MORE IN 1977. LA BIDE SAID GOF HAD BEEN HURT BY SAME DEVELOPMENT AND HAD WRITTEN TO RUSSIANS COMPLAINING THAT FRENCH HAD INCREASED THEIR CAPACITY TO SUPPLY SOVIET MARKET AND NOW HAD EXCESS CAPACITY. SOVIET RESPONSE, GIVEN ORALLY BY DEPUTY MINISTER OF FOREIGN TRADE OSIPOV, WAS THAT RUSSIANS WILL BUY NO FRENCH LARGE DIAMETER PIPE IN 1977 BUT WILL LOOK INTO MATTER AT END OF YEAR. STUELPNAGEL AND LA BIDE AGREED THAT JAPANESE AND ITALIANS ARE HAVING NO SALES EITHER AND ATTRIBUTED SITUATION TO SOVIET DIFFICULTIES IN LAYING PIPE THEY HAVE ALREADY ACQUIRED.

4. ACCORDING TO LA BIDE AND STUELPNAGEL, SOVIETS ARE EXPERIENCING ADDITIONAL PROBLEMS IN ENERGY AREA THROUGH INSISTENCE OF IRAN ON RAISING PRICE OF GAS WHICH SOVIETS HAVE AGREED TO SUPPLY TO FRANCE AND GERMANY AT FIXED PRICE. STUELPNAGAL SPECULATED THAT SOVIETS MAY BE TRYING TO COERCE IRANIANS INTO KEEPING LOWER PRICE BY THREATENING TO WITHHOLD SHIPMENTS OF LARGE DIAMETER PIPE.

5. CONCERNING SOVIET SHIPMENTS OF OIL TO FRANCE, LA BIDE EMPHASIZED THAT SOVIETS HAVE BEEN CHARGING OPEC PRICE. AN AGREEMENT HAS BEEN REACHED TO SET PRICES EVERY THREE MONTHS. LA BIDE STATED THAT HE AND SOME OTHERS IN PARIS HAVE BEEN TRYING HARD TO PERSUADE FRENCH TO ACCEPT LARGER DELIVERIES OF SOVIET OIL, EVEN AT RELATIVELY HIGH CONFIDENTIAL

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PRICE, IN PLACE OF PRESENT PURCHASES FROM SAUDI ARABIA. THEY ARGUE THAT PURCHASE OF SOVIET OIL PERMITS USSR TO BUY ADDITIONAL FRENCH EXPORTS, WHEREAS SAUDIS PROVIDE VIRTUALLY NO MARKET FOR FRANCE. THERE IS, AS EXPECTED, HEAVY RESISTANCE FROM FRENCH OILMEN TO THIS APPROACH, WHICH LA BIDE CONTENDED IS MORE IN LINE WITH OVERALL FRENCH NATIONAL COMMERCIAL INTEREST.

6. STUELPNAGEL STATED THAT FRG PURCHASED 3.3 BILLION CUBIC METERS OF NATURAL GAS FROM USSR IN 1976, A FIGURE WHICH HE SAID IS NOT PUBLISHED IN GERMANY.

7. UPON QUESTIONING OF LA BIDE, BRITISH COMMERCIAL COUNSELOR HUDSON ACKNOWLEDGED THAT SOVIET DEPUTY MINISTER OF FOREIGN TRADE SUSHKOV (A SPECIALIST ON COMPENSATION PROJECTS) HAD BEEN IN UK TO DISCUSS POSSIBLE EXPLOITATION OF BARENTS SEA WITH BP. HUDSON THOUGHT BP FOUND SOVIET OFFER SOMEWHAT UNATTRACTIVE ON PRICE GROUNDS AND STATED THAT BRITISH GOVERNMENT WOULD NOT PUT COMPANY UNDER PRESSURE TO NEGOTIATE AN ARRANGEMENT. LA BIDE RELATED THAT FRENCH HAD SIMILARLY ANGERED SUSHKOV AT EARLIER DATE BY INFORMING HIM IN

WRITING THAT SOVIET PRICE WAS NOT "FAIR". STUELPNAGEL COMMENTED THAT GERMANS HAD BEEN TOLD BY SOVIETS LAST OCTOBER THAT EXPLORATION OF BARENTS SEA WAS NOT INCLUDED IN PRESENT FIVE-YEAR PLAN.

8. LA BIDE SAID THAT SOVIET DEPUTY MINISTER OF FOREIGN TRADE KOMAROV WOULD VISIT PARIS IN LATE APRIL OR EARLY MAY. PURPOSE OF VISIT WILL BE TO FLESH OUT TEN YEAR PERSPECTIVES IN PLAN SIGNED IN 1974 BY RAMBOUILLET BY BREZHNEV AND GISCARD. LA BIDE HAD EARLIER FEARED SUSHKOV WAS REPLACING KOMAROV--A MOVE NOT TO THEIR LIKING--BUT LEARNED THAT LATTER'S FAILURE TO COME TO PARIS FOR JANUARY MEETING OF "PETITE COMMISSION" WAS DUE TO HIS INVOLVEMENT IN SERIOUS TRAFFIC ACCIDENT IN MOSCOW.

9. FOR USNATO: FOREGOING FOR POST INFORMATION ONLY AND NOT FOR DISTRIBUTION IN VIEW OF IRREGULAR COMPOSITION OF MEETING IN MOSCOW. FACT OF MEETING HAS NOT BEEN MADE KNOWN HERE TO OTHERS WHO ATTEND MORE BROADLY REPRESENTATIVE REGULAR MONTHLY SESSION OF WESTERN E/C
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